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July 29, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

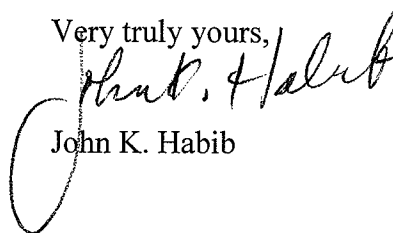
Dear Secretary Cottrell:

On behalf of KeySpan Energy Delivery New England ("KeySpan"), please find attached responses to the following information requests:

- (1) DTE-KED-1-1;
- (2) DTE-KED-1-3;
- (3) DTE-KED-1-4;
- (4) BSG-KEDNE-1-1;
- (5) BSG-KEDNE-1-2;
- (6) BSG-KEDNE-1-3; and
- (7) BSG-KEDNE-1-4.

KeySpan will file its response to information request DTE-KED-1-2 as soon as possible on Monday, August 1 or Tuesday, August 2. Thank you for your attention to this matter.

Very truly yours,



John K. Habib

cc: Caroline Bulger, Hearing Officer
Andrew Kaplan, General Counsel
John Cope-Flanagan, Assistant General Counsel
George Yiankos, Director, Gas Division
Robert Dewees, Esq.
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FIRST SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF
TELECOMMUNICATIONS AND ENERGY TO BOSTON GAS COMPANY

BAY STATE GAS COMPANY
D.T.E. 05-27

Respondent: Joseph F. Bodanza, Jr.
Date: July 29, 2005

Information Request DTE-KED-1-1

- Q. For each of the years 1993 through 2004, please provide a schedule that shows the following items for the Company:
- (1) the actual amount of write-offs by season and the actual amount recorded on the company's books for accounting purposes;
 - (2) the actual amount of bad debt by season recovered through the CGAC;
 - (3) the amount of bad debt by season recovered through the base distribution rates;
 - (4) the sum of Items (2) and (3);
 - (5) the percentage of bad debt recovered through the CGAC relative to total bad debt by season and with corresponding annual percentage;
 - (6) firm billed therms and corresponding revenues;
 - (7) estimates of \$ per therm of bad debt; and
 - (8) percentage of total bad debt relative to total revenues. Provide a copy of the response in electronic readable medium (compact disk).
- A. Please see the attached spreadsheet detailing items requested above. Please note that the analysis requested is not applicable years prior to 1997 because the Company did not begin collecting bad-debt expense through the CGA until it was directed to do so in Boston Gas Company, D.P.U. 96-50 (1996).

	Actual Writeoffs (1)	Actual Writeoffs in CGA (2)	Amount of Bad Debt Base Rates (3)	Sum of (2) + (3) (4)	% Bad Debt in CGA (2)/(1) (5)	Firm Billed Therms (6)	Firm Revenues (6)	Estimates of \$ per therm Bad Debt (1)/(6) (7)	Percentage Bad Debt to Revenues (1)/(6) (8)
Peak Season	6,250,329	3,875,204			62%				
Off-Peak Season	5,097,145	3,160,230			62%				
Total Seasonal	11,347,474	7,035,434	4,913,725	11,949,159	62%	118,580,010	\$640,775,913	0.108	2.01%
Fiscal Year	12,859,131	7,972,661	4,913,725	12,886,386	62%				
Nov 97-Apr 98	7,793,590	4,832,026			62%				
May 98-Oct 98	4,277,097	2,651,800			62%				
Nov 97-Oct 98	12,070,687	7,483,826	4,913,725	12,397,551	62%	106,291,146	\$564,995,891	0.109	2.04%
Jan 98-Dec 98	11,543,703	7,157,096	4,913,725	12,397,551					
Nov 98-Apr 99	6,786,181	4,207,432			62%				
May 99-Oct 99	4,152,237	2,574,387			62%				
Nov 98-Oct 99	10,938,418	6,781,819	4,913,725	11,695,544	62%	113,722,925	\$553,006,714	0.091	1.86%
Jan 99-Dec 99	10,312,348	6,393,656	4,913,725	11,307,381					
Nov 99-Apr 2000	5,248,589	3,254,125			62%				
May 2000-Oct 2000	7,073,289	4,385,439			62%				
Nov 99-Oct 2000	12,321,877	7,639,564	4,913,725	12,553,289	62%				
Jan 2000-Dec 2000	11,583,198	7,181,583	4,913,725	12,095,308		122,068,962	\$618,844,124	0.095	1.87%
Nov 2000-Apr 2001	3,161,416	1,960,078			62%				
May 2001-Oct 2001	6,336,847	3,928,845			62%				
Nov 2000-Oct 2001	9,498,263	5,888,923	4,913,725	10,802,648	62%	124,858,127	\$842,330,379	0.086	1.27%
Jan 2001-Dec 2001	10,703,652	6,636,264	4,913,725	11,549,989					
Nov 2001-Apr 2002	5,925,423	3,673,762			62%				
May 2002-Oct 2002	8,333,610	5,166,838			62%				
Nov 2001-Oct 2002	14,259,032	8,840,600	4,913,725	13,754,325	62%	127,714,633	\$610,878,422	0.122	2.55%
Jan 2002-Dec 2002	15,573,971	9,655,862	4,913,725	14,569,587					
Nov 2002-Apr 2003	8,486,437	5,261,591			62%				
May 2003-Oct 2003	13,647,419	8,461,400			62%				
Nov 2002-Oct 2003	22,133,856	13,722,991	4,913,725	18,636,716	62%	126,835,888	\$920,511,742	0.177	2.44%
Jan 2003-Dec 2003	22,473,782	13,652,489	4,913,725	18,566,214					
Nov 2003-Apr 2004	7,328,928	4,437,782			61%				
May 2004-Oct 2004	16,643,789	719,499			4%				
Nov 2003-Oct 2004*	23,972,717	5,157,281	4,168,724	9,326,005	22%	120,285,433	\$993,525,729	0.182	2.21%
Jan 2004-Dec 2004	21,908,412	3,293,369	4,168,724	7,462,093					

*Actual amounts included in CGA in accordance with D.T.E. 03-40 directives. Actual gas-cost related bad debt writeoffs were \$14,656,728, or 66.9% of total writeoffs of \$21,908,412 for FY2004.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FIRST SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF
TELECOMMUNICATIONS AND ENERGY TO BOSTON GAS COMPANY

BAY STATE GAS COMPANY
D.T.E. 05-27

Respondent: Joseph F. Bodanza, Jr.
Date: July 29, 2005

Information Request DTE-KED-1-3

- Q. For each of the years 1993 through 2004 please provide by season, with corresponding annual total:
- (1) estimates of the total annual amount of bad debt, broken down by rate base and CGAC, that would have been recovered by Boston Gas had the company used the method of bad debt recovery approved in Boston Gas Company, D.T.E. 03-40 (2003) using the amount of bad debt and the CGAC revenue to total revenue ratio approved in the company's latest rate case;
 - (2) estimates of the total annual amount of bad debt, broken down by rate base and CGAC, that would have been recovered by Boston Gas had the company used the method of recovery approved in Boston Gas Company, D.P.U. 96-50 (1996);
 - (3) the difference between Items (1) and (2);
 - (4) estimates of the total annual amount of bad debt, broken down by rate base and CGAC, that would have been recovered by Boston Gas had the company used the method of recovery proposed by Bay State Gas Company in D.T.E. 05-27; and
 - (5) the difference between Items (1) and (4). Provide supporting schedules and documentation and describe the Company's method including all assumptions used. Provide a copy of the response in electronic readable medium (compact disk).
- A. Please see the attached analysis for the requested data.

	Actual Percent Gas Cost to Total Revenue	Actual Writeoffs	DTE 03-40 Methodology (1)	DPU 96-50 Methodology (2)	Variance DTE 03-40 vs DPU 96-50 Methodology (3)	DTE 05-27 Methodology (4)	Variance DTE 03-40 vs DTE 05-27 Methodology (5)
	(a)	(b)	Actual Writeoffs in CGA (c) = (a) * 9,326,005 (d) DTE 03-40	Actual Writeoffs in CGA (e) = (b) * 553 (f) DPU 96-50	Actual Writeoffs in CGA (g) = (c) - (f) (h) = (d) - (e) (i) = (h) * (f) (j) = (i) * (g)	Actual Writeoffs in CGA (k) = (a) * (b) (l) = (k) * (m) (n) = (l) * (m)	Actual Writeoffs in CGA (o) = (c) - (l) (p) = (d) - (n) (q) = (o) * (p)
Nov 96-Apr 97	62.2%	6,250,329	5,800,774	3,458,432	0	3,887,705	(1,257,354)
May 97-Oct 97	62.2%	5,097,145	5,800,774	2,818,721	(474,379)	3,705,424	(2,197,605)
Nov 96-Oct 97	62.2%	11,347,441	11,601,548	6,275,153	(474,379)	7,058,129	-
Jan 97-Dec 97	62.2%	12,855,131	12,855,131	7,111,089	(1,310,325)	7,998,379	-
Nov 97-Apr 98	57.4%	7,793,590	5,353,126	4,309,855	0	4,473,521	(1,575,448)
May 98-Oct 98	57.4%	4,277,087	5,353,126	2,365,235	0	2,465,054	(1,272,959)
Nov 97-Oct 98	57.4%	12,070,687	10,706,252	6,675,090	(1,321,964)	6,928,574	-
Jan 98-Dec 98	57.4%	11,543,703	10,706,252	6,333,668	(1,030,542)	6,028,066	-
Nov 98-Apr 99	53.3%	6,786,181	4,970,760	3,752,758	0	3,617,034	(659,417)
May 99-Oct 99	53.3%	4,152,237	4,970,760	2,296,187	0	2,213,142	(525,722)
Nov 98-Oct 99	53.3%	10,938,418	10,938,418	6,048,945	(1,078,185)	5,930,177	-
Jan 99-Dec 99	53.3%	10,312,348	10,938,418	5,702,729	(731,969)	5,068,482	-
Nov 99-Apr 2000	56.2%	5,248,589	5,241,214	2,902,470	0	2,948,707	(1,883,681)
May 2000-Oct 2000	56.2%	7,073,289	5,241,214	3,911,529	0	3,975,188	(1,268,543)
Nov 2000-Oct 2000	56.2%	12,321,877	10,351,865	6,813,988	(1,572,784)	6,924,895	-
Jan 2000-Dec 2000	56.2%	11,553,198	10,351,865	6,405,509	(1,164,294)	6,508,757	-
Nov 2000-Apr 2001	56.3%	3,161,416	4,168,724	1,748,263	0	2,096,019	(114,208)
May 2001-Oct 2001	56.3%	6,336,847	4,168,724	3,504,276	0	4,201,329	(913,380)
Nov 2001-Oct 2001	56.3%	9,498,263	6,183,141	5,252,539	930,601	6,297,348	-
Jan 2001-Dec 2001	56.3%	10,703,592	6,183,141	5,919,119	264,021	7,096,521	-
Nov 2001-Apr 2002	56.6%	5,925,423	5,278,518	3,276,759	0	3,353,789	(2,792,094)
May 2002-Oct 2002	56.6%	8,339,610	5,278,518	4,608,486	0	4,716,823	(3,536,349)
Nov 2002-Oct 2002	56.6%	14,239,032	15,573,971	7,885,245	(2,606,727)	8,070,612	-
Jan 2002-Dec 2002	56.6%	15,573,971	15,573,971	8,612,406	(3,333,888)	8,814,868	-
Nov 2002-Apr 2003	56.4%	8,486,437	6,192,467	4,893,000	0	5,634,994	(8,504,414)
May 2003-Oct 2003	56.4%	13,643,419	6,192,467	7,547,023	0	9,061,896	(8,730,125)
Nov 2003-Oct 2003	56.4%	22,135,568	22,135,568	12,240,023	(6,047,556)	14,895,881	-
Jan 2003-Dec 2003	56.4%	22,473,762	22,473,762	12,428,001	(6,235,535)	14,922,591	-
Nov 2003-Apr 2004	56.9%	7,328,928	5,157,280	4,052,897	0	4,903,053	(10,880,467)
May 2004-Oct 2004	56.9%	16,843,789	5,157,280	9,204,015	0	11,134,695	(9,499,448)
Nov 2003-Oct 2004	56.9%	23,972,717	23,972,717	13,258,912	(8,099,632)	16,037,748	-
Jan 2004-Dec 2004	56.9%	21,906,412	23,972,717	12,115,352	(6,958,072)	14,656,728	-
TOTAL		116,958,197	77,527,075	98,027,675		105,471,204	

N.1: For the period November 2003 through October 2004, Actual Writeoffs in CGA for the D.T.E. 03-40 and D.T.E. 96-50 method were derived using a gas-cost ratio of 55.3 percent (not 66.9%).

The percentage of 55.3 was used for the D.T.E. 03-40 method in 2003/2004 consistent with the Department's directives in D.T.E. 03-40.

The percentage of 55.3 was used for the D.P.U. 96-50 method under the assumption that the percentage would have been set in D.T.E. 03-40 as it was in D.P.U. 96-50.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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TELECOMMUNICATIONS AND ENERGY TO BOSTON GAS COMPANY

BAY STATE GAS COMPANY
D.T.E. 05-27

Respondent: Joseph F. Bodanza, Jr.

Date: July 29, 2005

Information Request DTE-KED-1-4

- Q. Has Boston Gas programmed its CRIS billing system to record actual CGA-related bad debt as noted in D.T.E. 03-40 (2003) at 266-267? If yes, please provide the amounts of actual CGA-related and base rate-related bad debt for each month from the time the CRIS billing system was programmed to the latest month of 2005 when data is available.
- A. Yes, in accordance with the Department's directives in D.T.E. 03-40, the Company programmed the CRIS billing system to record actual CGA-related gross bad debt as ordered in D.T.E. 03-40 commencing June 2004. Attached is a listing that the Company generated using this program detailing the monthly gas-cost related and base-rate related bad debt for the period June 2004 through June 2005.

**Attachment DTE-1-4
CRIS Report****Gross Writeoffs**

	Total	Gas Cost	Base Rates
Jun-04	2,624,340	1,683,778	940,562
Jul-04	3,670,760	2,424,902	1,245,858
Aug-04	3,231,192	2,117,171	1,114,021
Sep-04	3,002,256	1,933,756	1,068,500
Oct-04	2,993,433	1,941,686	1,051,747
Nov-04	286,339	182,675	103,664
Dec-04	2,227,279	1,196,248	1,031,031
Jan-05	2,762,897	1,733,816	1,029,081
Feb-05	1,647,092	1,040,722	606,371
Mar-05	1,617,483	1,026,179	591,304
Apr-05	1,472,286	931,828	540,458
May-05	1,796,972	1,176,693	620,279
Jun-05	2,931,697	1,939,981	991,716

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**FIRST SET OF INFORMATION REQUESTS OF
BAY STATE GAS COMPANY TO
KEYSPAN ENERGY DELIVERY SERVICES NEW ENGLAND
D.T.E. 05-27**

Respondent: Joseph Bodanza

Date: July 29, 2005

Information Request BSG-KEDNE-1-1

Referring to page 6 of the Bodanza Testimony, please discuss, using as references Bay State's proposal and the Department's order in DPU 96-50, how it was established that actual gas-related bad debt expense was to be based on applying a gas cost allocated percentage to actual monthly net write offs.

Response:

In 1996, the Department began an effort to "unbundle" rates to facilitate the movement of customers to "transportation" service. Boston Gas Company was one of the first gas companies to unbundle its rates, and in Boston Gas Company, D.T.E. 96-50 (Phase I) (1996), the Department ordered the Company to "reconcile on a semiannual basis the level of bad debt expense collected in the CGAC based on the actual uncollectible expense attributable to gas costs." D.T.E. 96-50, at 73. Subsequent to that decision, the Department approved the same methodology for other gas companies unbundling their rates. See, e.g., Commonwealth Gas Company, D.T.E. 98-63 (1998); Colonial Gas Company, D.T.E. 98-64 (1998); Berkshire Gas Company, D.T.E. 98-65 (1998) and North Attleboro Gas Company, D.T.E. 98-66 (1998). As a result, prior to the Department's decision in Fitchburg Gas and Electric Light Company, D.T.E. 02-24/25, at 171-172 (2002), all of the gas companies recovered gas-cost related bad-debt expense on a reconciling basis.

In D.P.U. 96-50, the Department found that 62 percent of the test-year bad-debt expense was attributable to gas costs. D.P.U. 96-50, at 72. Therefore, Boston Gas derived gas-related bad-debt expense by multiplying the Company's actual monthly net writeoffs by 62 percent. As noted in Mr. Bodanza's testimony, the computation performed by Bay State is the same except that Bay State determines the amount of net writeoffs associated with gas-cost collections by applying the *current ratio* of annual firm gas-cost revenues to total firm revenues to the monthly actual net writeoffs rather than a set percentage as established in a rate proceeding. Exhibit KED-1, at 4, referencing Schedule JLH-1-7, § 15.00 *et seq.* From the Company's perspective, the Bay State methodology is a superior approach because it recognizes and incorporates the current ratio of gas costs to firm revenues rather than relying on a set amount that may not be applicable in a future time period.

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**FIRST SET OF INFORMATION REQUESTS OF
BAY STATE GAS COMPANY TO
KEYSPAN ENERGY DELIVERY SERVICES NEW ENGLAND
D.T.E. 05-27**

Respondent: Joseph Bodanza

Date: July 29, 2005

Information Request BSG-KEDNE-1-2

Please explain why and what factors, if any, cause bad debt expense to rise at a disproportionately higher rate than when compared to the percentage increase in gas cost collections to total revenues.

Response:

Bad-debt expense increases in proportion to increases in revenues. Therefore, if gas costs were to increase from \$350 million to \$700 million and gas-cost related bad-debt writeoffs are running at 2 percent of gas costs, then bad-debt writeoffs could increase from \$7 million (i.e., 2 percent of \$350 million) to \$14 million (2 percent of \$700 million), which is a 100 percent increase in bad-debt writeoffs.

However, the same increase in gas costs would produce a relatively small change in the ratio of gas costs to total firm revenues because the incremental amount of gas costs still represents a relatively small portion of the Company's total collections (gas costs and firm revenues). For example, if total revenues are \$700 million, of which \$350 million are gas-cost revenues, then the ratio of gas costs to total firm revenues is 50 percent. If gas costs were to increase to \$700 million, then total firm revenues would total \$1.05 billion and the ratio of gas costs to total revenue would increase to 67 percent, representing a change in the ratio of 17 percent. This would compare to the 100 percent increase in bad-debt expense that would be experienced with such a substantial increase in gas costs. As a result, a mechanism that ties gas-cost related bad-debt expense recoveries to changes in the ratio of gas costs to total firm revenues is unlikely to capture the actual magnitude of the change in bad-debt expense associated with increasing gas costs.

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Respondent: Joseph Bodanza

Date: July 29, 2005

Information Request BSG-KEDNE-1-3

Why might a gas utility's collections practices become less effective under conditions of rising gas costs?

Response:

The collection of overdue revenues from customers is one of the most significant challenges faced by the Company in structuring its operations. In accordance with the Department's regulations for billing and collection, the Company has in place a collection process involving a series of communications and contact with the customers, as well as careful adherence to DTE timelines governing shutoffs. Although the intent of these requirements is protect customers, the effect can often circumscribe the Company's efforts to collect overdue amounts. The process mandated by the Department is as follows:

Billing, Notification and Termination Timeline per DTE Regulations

	Sample Date	# of Days from Bill Rendered Date	# of Days from Bill Receipt Date
Bill Rendered (n.1)	6/1/2005		
Bill Received (n.2)	6/4/2005	3	
2nd Request for Payment (n.3)	6/28/2005	27	24
Final Notice for Payment (n.4)	7/19/2005	48	45
First Day of Termination (n.4)	7/25/2005	54	51
Last Day of Termination (n.4)	8/2/2005	62	59

N.1: The bill is considered the first request for payment. All bills are considered due upon receipt. Bills are considered past due 45 days after receipt. 220 C.M.R. 25.02 (1).

N.2: Assumes three days for bill to be received via first class mail.

N.3: Second request for payment must be rendered no earlier than 27 days after the bill is rendered and must state that service will be terminated no sooner than 48 days after bill is received. 220 C.M.R. 25.02 (3)(b).

N.4: Final notice for payment rendered no sooner than 45 days after receipt of bill. The notice must be rendered at least 72 hours but no more than 14 days prior to termination. 220 C.M.R. 25.02 (3)(c).

This hypothetical example highlights a particular obstacle in the Department's regulations, which is the window for shutoffs on an overdue account. Under the Department's regulations, the Company has a maximum of 14 days to terminate an account for non-payment following the final notice of payment. However, the Company is not allowed to terminate on Fridays, weekend days, holidays and days preceding a holiday. Therefore, the Company is generally left with a narrow window of 7-10 days to shutoff an account. If the Company does reach the address within that window, the notification process must be completed again before a new shutoff window is established. This creates a substantial obstacle for the Company in terms of furthering collections efforts through service terminations.

Final billed accounts with unpaid balances are referred to a collection agency for recovery 23 days after the final bill is issued if the account receivable is 120 days or more in arrears and 53 days after the final bill is issued if the account receivable is less than 120 days in arrears. Arrears are defined as follows:

Arrears	
Current	<30 Days
1 st Arrears	31 to 59 Days
2 nd Arrears	60 to 89 Days
3 rd Arrears	90 Days or Greater

In recent years, KeySpan has implemented a number of back-office improvements to enhance its ability to collect revenues from customers within the parameters laid out by the Department. These improvements include:

- Adding supplemental workforce to perform collections;
- Purchasing hand-held computers to be used by field collectors, so that collection information is input to the system on a real-time basis;
- Expanding the communications with customers;
- Increased use of outbound calling to contact customers in arrears.
- Installation of new software tools to increase back-office efficiency;
- Enhancements to customer information system to assign daily work to field collectors on a more cost-effective and strategic basis.

Despite the Company's best efforts, bad-debt writeoffs will inevitably increase under circumstances where gas costs are increasing because: (1) the number of customers unable to pay and falling into default increases, and (2) the amount of arrearage balances increases. In combination, these two factors will cause an increase in the ratio of bad-debt writeoffs to total revenue and bad-debt expense regardless of the efforts applied by the Company to collect bad-debts.

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D.T.E. 05-27**

Respondent: Joseph Bodanza

Date: July 29, 2005

Information Request BSG-KEDNE-1-4

In what ways is a gas utility limited in controlling its increasing bad debt expense when gas costs increase significantly?

Response:

The nature of the natural gas distribution business is that the bulk of gas costs relating to residential and small C&I customers are incurred in the winter season. In the winter season, gas prices and cold weather are the predominant drivers of a customer's bill. However, during the period November 15 through March 15, the Company is not allowed to take steps to shut off and collect overdue amounts from residential heating accounts protected from termination of service due to reasons of illness, infants residing in the home or financial hardship. Therefore, arrearage amounts typically grow over the winter season, especially where winter gas costs are rising. Because arrearage amounts tend to grow in proportion to gas-cost increases, when gas costs are increasing at the levels that the Company has recently experienced, it is much more difficult for customers who have fallen behind to get back on track.

In addition, there are other particular challenges inherent in the Department's billing and collection rules, as discussed in response to Information Request BSG-KEDNE-3. For example, in accordance with 220 C.M.R. 25.02(3)(c), a final notice of termination must be rendered no sooner than 45 days following issuance of a bill and no earlier than 72 hours, but no more than 14 days prior to termination of gas service. Compliance with this regulation results in a limited number of days during which a customer may be shut off for non-payment (i.e., days 54 to 62 following the billing date, excluding Fridays, holidays or days preceding a holiday). At the end of day 62, the ability to shutoff expires and the notification process must begin again. As a result, this requirement significantly impedes the Company's ability to collect overdue amounts as gas costs rise.